

Message Text

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PAGE 01 TOKYO 12906 01 OF 02 170905Z
ACTION EA-12

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 DODE-00 PM-05 H-01 L-03 PA-01 /111 W
-----056069 170917Z /10

P 170850Z JUL 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 9658
INFO AMEMBASSY BANGKOK
AMEMBASSY CANBERRA
AMEMBASSY COLOMBO
AMEMBASSY DACCA
AMEMBASSY ISLAMABAD
AMEMBASSY KABUL
AMEMBASSY KATHMANDU
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY NEW DELHI
AMEMBASSY PORT MORESBY
AMEMBASSY RANGOON
AMEMBASSY SEOUL
AMEMBASSY SINGAPORE
AMEMBASSY SUVA
AMEMBASSY TAIPEI
AMEMBASSY WELLINGTON

LIMITED OFFICIAL USE SECTION 01 OF 02 TOKYO 12906

MANILA ALSO FOR USADB

E.O. 11652: NA
TAGS: EGEN, ETRD, BEXP
SUBJECT: U.S. PROCUREMENT FROM ASIAN DEVELOPMENT BANK

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PAGE 02 TOKYO 12906 01 OF 02 170905Z

REF: (A) SEOUL 5704, (B) SINGAPORE 3041, (C) STATE 155300

1. SUMMARY. JAPANESE SUCCESS IN WINNING ADB PROCUREMENT
CONTRACTS SEEMS FROM HERE TO BE BASED ESSENTIALLY ON
WELL-KNOWN ADVANTAGES OF PRICE COMPETITIVENESS (NOT YET
MUCH DIMMED BY YEN APPRECIATION) AND OF DILIGENCE IN
DEVELOPING MARKETS. EARLY WARNING SYSTEM ON UPCOMING

CONTRACTS IS DESCRIBED AS HELPFUL EVEN BY U.S. CONTACTS IN TOKYO, WHO ARE OFTEN LESS CONVENIENTLY SITUATED THAN THEIR COLLEAGUES IN RECIPIENT CAPITALS TO TAKE ADVANTAGE OF MATERIALS ON ADB PROCUREMENT OPPORTUNITIES. END SUMMARY.

2. FROM TOKYO ANGLE WE SEE IN JAPANESE SUCCESS WITH ADB PROCUREMENT ESSENTIALLY SAME INGREDIENTS AS OTHER EMBASSIES HAVE NOTED. JAPANESE PRICE QUOTES ARE OFTEN LOW. HIGH FIXED COSTS OF JAPANESE INDUSTRIAL PRODUCTION (FROM INTEREST COSTS OF HIGHLY LEVERAGED CAPITAL AND FROM WORKERS' LIFETIME EMPLOYMENT SYSTEM) MAKE IT DESIRABLE FOR JAPANESE MANUFACTURERS TO CONTINUE PRODUCTION DURING HARD TIMES. EXPORTS EVEN AT LOSS (AS EXEMPLIFIED IN PARA 5 REF A) HELP TO EASE FIXED COSTS BURDEN, AND, OF COURSE, TO MAINTAIN SHARE OF MARKET UNTIL BETTER TIMES WHEN PRICES CAN BE RAISED. (THERE IS SOME HOPE THAT JAPAN MAY BE EMERGING FROM THE ZIGZAG GROWTH PATTERN IT HAS DISPLAYED SINCE THE OIL SHOCK AND THAT THIS SOURCE OF PRESSURE ON COMPANIES TO EXPORT MAY BE DIMINISHING.)

3. IN THEIR EFFORT TO LOWER PRICES, JAPANESE HAVE BECOME SKILLFUL AT MAKING ADJUSTMENTS TO MEET BUT NOT EXCEED MINIMUM SPECIFICATIONS FOR PROJECTS. GREATER FLEXIBILITY IN USE OF LABOR ON RUSH JOBS UNDOUBTEDLY GIVES JAPANESE LIMITED OFFICIAL USE

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PAGE 03 TOKYO 12906 01 OF 02 170905Z

FIRMS ADVANTAGE IN EFFORT TO MAKE THESE ADJUSTMENTS.

4. HOW OFTEN INTENSE PRICE COMPETITION LEADS TO SHARP PRACTICE IS DIFFICULT TO ASSESS; BUT THE YEN RISE AND JAPANESE COMPLAINTS AND FEARS ABOUT IT NOTWITHSTANDING, WE BELIEVE JAPANESE REMAIN HIGHLY COMPETITIVE. FOR EXAMPLE, EARLIER THIS YEAR THE JAPANESE PRICE FOR ONE FAIRLY NEARBY DEVELOPING COUNTRY PLANT WAS \$6 MILLION AND ALL U.S. BIDS WERE OVER \$10 MILLION, ACCORDING TO THE PURCHASER. WE DON'T KNOW WHETHER IN THIS CASE, PRICE COVERED COSTS.

5. FINALLY, JAPANESE DILIGENCE IN PURSUING MARKETS UNDOUBTEDLY IS AS WELL KNOWN IN ADB RECIPIENT CAPITALS AS HERE. GOING BEYOND CAREFUL REVIEW OF EXISTING PLANTS AND CONSTANT ALERTNESS IN SEARCH OF NEW OPPORTUNITIES, JAPANESE COMPANY REPRESENTATIVES IN SOME AREAS OVERSEAS APPEAR TO PUT SELVES IN SHOES OF GOVERNMENT OFFICIALS IN ORDER TO THINK OUT PROPOSALS FOR HOST COUNTRY PROJECTS THAT WILL CREATE BUSINESS FOR JAPANESE SUPPLIER. RECENTLY A TOKYO NEWSPAPER ARTICLE DESCRIBING ALLEGED FORTHCOMING JAPANESE AID PROJECT OF RAIL SYSTEM FOR

MAJOR AFRICAN COUNTRY WAS DESCRIBED BY FOREIGN MINISTRY
SOURCE AS IDEA WHICH HAD BEEN SOLD TO WOULD-BE RECIPIENT
COUNTRY BY JAPANESE FIRM BUT WHICH HAD NOT BEEN AGREED
TO BY JAPANESE GOVERNMENT.

6. A YEAR AND A HALF AGO EMBASSY DISCONTINUED PERIODIC
DISTRIBUTION OF ADB DATA TO LOCAL OFFICES OF U.S. FIRMS,
AFTER CIRCULAR REMINDER WAS RECEIVED FROM ADB ON
CONFIDENTIAL NATURE DATA SUPPLIED. ON BASIS OF NEW
DISCUSSION WITHIN EMBASSY AND CHECKS WITH INTERESTED U.S.
REPS, WE WILL RESUME THIS SERVICE IN ADDITION TO CHANNEL-
ING USUAL REFERENCE COPIES TO OUR BUSINESS INFORMATION

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PAGE 01 TOKYO 12906 02 OF 02 170909Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 TOKYO 12906

CENTER AND TO ACCJ. TOKYO OFFICES OF U.S. CORPORATIONS
OFTEN ARE RESPONSIBLE ONLY FOR JAPAN AND REGIONAL
OPERATIONS OF CONSTRUCTION COMPANIES ARE ORDINARILY BASED
ELSEWHERE BECAUSE JAPAN TRADITIONALLY HAS OFFERED FEW
OPPORTUNITIES TO FOREIGN CORPORATIONS IN THIS FIELD.
NEVERTHELESS CONSULTING AND DESIGN ENGINEERING COMPANIES
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PAGE 02 TOKYO 12906 02 OF 02 170909Z

ACTIVE IN TOKYO FORM RESPECTABLE AUDIENCE FOR ADB
MATERIALS. WE WOULD DEFER TO VIEWS OF RECIPIENT COUNTRY
POSTS ON QUESTION OF VALUE SPECIAL PROGRAM TO INCREASE
IFI PROCUREMENT FROM U.S.

7. IN CONCLUSION WE JOIN OTHER POSTS IN IDENTIFYING TWO
FACTORS AS MOST IMPORTANT. FIRST, EARLY INFORMATION ON
FUTURE PROJECTS MUST BE PROVIDED TO U.S. FIRMS. SECOND,
AGGRESSIVE BIDDING, USING JAPANESE APPROACH DESCRIBED
ABOVE WHERE POSSIBLE, AND CLOSE FOLLOW-UP ON BIDS.
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Message Attributes

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